

Report to:	SCHOOLS' FORUM
Date:	15 March 2022
Reporting Officer:	Tim Bowman – Director, Education (Tameside and Stockport) Caroline Barlow – Assistant Director of Finance
Subject:	EARLY YEARS FUNDING 2022-23
Report Summary:	A report on the arrangements concerning the Dedicated Schools Grant Early Years funding for 2022-23.
Recommendations:	<ol style="list-style-type: none"> 1. Members of the Schools' Forum are requested to note and support the contents of the report. 2. Members of the Schools' Forum are requested to support the preferred option for the allocation of deprivation.
Corporate Plan:	Education finances significantly support the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive and develop, and supports Aspiration and Hope through learning and moving with confidence from childhood to adulthood.
Policy Implications:	In line with financial and policy framework.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure.</p> <p>This report sets out the allocation basis for all Tameside early years providers for 2022-23.</p>
Legal Implications: (Authorised by the Borough Solicitor)	The grant is ring fenced and must be spent in accordance to the terms of the grant for school and pupil related expenditure.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.
Access to Information:	<p style="text-align: center;">NON-CONFIDENTIAL</p> <p>This report does not contain information which warrants its consideration in the absence of the Press or members of the public.</p>
Background Information:	<p>The background papers relating to this report can be inspected by contacting Christine Mullins – Finance Business Partner, Financial Management, Childrens and Safeguarding Services</p> <p> Telephone: 0161 342 3216</p> <p> e-mail: christine.mullins@tameside.gov.uk</p>

1. INTRODUCTION

- 1.1 This report sets out information on the allocation of the Early Years element of the Dedicated Schools Grant (DSG) for 2022-23 and the outcome of the recent consultation on the Early Years funding.

2. EARLY YEARS FUNDING 2022-23

- 2.1 Table 1 provides the current funding settlement for Early Years for 2021-22 and 2022-23.

TABLE 1 – Early Years Funding

Early Years Funding Streams	2021-22 Early Years Allocation as at January 2022	2022-23 Provisional Early Years Allocation announced December 2021	Change in Funding
	£	£	£
3 & 4 Year Old Universal Entitlement	9,257,879	9,712,142	454,263
3 & 4 Year Old Extended Entitlement	4,237,964	4,308,418	70,454
2 Year Old	2,824,976	2,670,423	(154,553)
Early Years Pupil Premium (EYPP)	176,871	179,390	2,519
Disability Access Fund (DAF)	73,185	94,400	21,215
Total	16,570,875	16,964,773	393,898

- 2.2 The 2021-22 settlement is currently based on the published allocations from DfE which uses census data collected in Summer 2021, Autumn 2021 and Spring 2021 (Spring 2021 will be updated to reflect Spring 2022 census and an adjustment to funding will be made in July 2022). The 2022-23 settlement is currently based on the Schools, Early Years and Alternative Provision census data from January 2021.
- 2.3 Consultation was launched for the period 2 February 2022 until 17 February 2022 to gather opinions on the proposals set out below. The response to the consultation is included at Section 5 of the report.

3. 3 AND 4 YEAR OLD FUNDING

- 3.1 The hourly rate of funding received by the LA has increased from £4.65 in 2021-22 to £4.82 in 2022-23 for both universal and extended entitlement.
- 3.2 The local funding scheme must include a base rate that applies to all children in all settings. There is a mandatory requirement to have a supplementary rate in relation to Deprivation and it is possible to have other supplements in relation to Rurality/Sparsity, Flexibility, Quality and English as an Additional Language. The total value of these supplements cannot exceed 10% of the overall funding within this block.
- 3.3 The funding scheme for 2021-22 contains one supplementary element, which is in relation to deprivation, and this will continue to be the only supplement in 2022-23. Consultation was undertaken regarding the method of allocation of deprivation funding.

3.4 **Deprivation**

It is hugely important to allocate Early Years (EY) deprivation funding as smoothly and directly as possible to children who are living in families on very low incomes. We know that deprivation has an impact on children's outcomes in early life, and we know that if children do not reach key thresholds at five, that they are very unlikely to meet the required standards at 11 and 16, leading to a continued cycle of low income and limited job opportunities. Now is an especially important time to be reviewing EY Deprivation funding as we also know that children living in low income households have been impacted the most by the pandemic. It is essential in our decision-making that we aim to ensure, as much as is possible, that funding reaches these children effectively and that the funding is used to provide additional support for the needs of eligible children.

3.5 The current method of allocation for deprivation is based on 3 bandings and a deprivation supplement is paid for all children. Consideration has been given to moving to a single rate for deprivation, to allow targeted allocation of deprivation funding. This ensures the supplement will be allocated to those children most in need of additional support. The options consulted on are set out below at 3.6 to 3.8. If moving to an updated model any change needs to be affordable within the financial allocation received by the Local Authority (LA). The deprivation supplement will be reviewed annually along with the other elements of the early years funding allocations. Targeting deprivation is important to ensure those children who are the most relatively deprived are receiving the support they need to develop which is what this supplement sets out to achieve. The Early Years Funding Group support the principle of this and therefore the modelling achieves a similar level of deprivation allocation but in a more targeted way.

3.6 **Option 1 – Continue with the existing model**

The allocation of deprivation could continue through the existing model where deprivation is allocated based on three bands and allocated for all children. Details of the allocation basis are included at **Appendix A**.

Pros:

- Applied for a full 12 months, assists with budgeting

Cons

- Does not target deprivation to the child
- Doesn't take account of changes during the 12 month period
- New providers or those with zero children in the spring term automatically get the lowest band meaning if they take more children from areas of deprivation during the year they will not be funded accordingly

3.7 **Option 2 – Model 1: Single rate of deprivation targeted to 30% of the most deprived children**

The allocation of £0.30 per hour deprivation supplement will be targeted at eligible children identified in the 30% most deprived areas (as identified through the indices of deprivation 2019) in Greater Manchester.

Pros

- Targets funding to the most relatively deprived children
- The supplement will be paid real-time based on termly child participation for those children identified in the highest areas of deprivation
- Takes account of termly changes providing fairer application throughout the year
- The deprivation supplement follows the child in real time if the child moves provision

Cons

- Removes some of the certainty around funding allocations
- Potential to create financial pressure through real-time updates and potential increases in deprivation

3.8 Option 3 – Model 2: Single rate of deprivation targeted to Bands A to D of the School Funding Formula IDACI Bands

The allocation of £0.21 per hour deprivation supplement will be targeted at eligible children identified in Bands A – D of the School Funding Formula IDACI Bands (as outlined in Section 2 of the report).

Pros

- Targets funding to the most relatively deprived children
- The supplement will be paid real-time based on termly child participation for those children identified in the highest areas of deprivation
- Takes account of termly changes providing fairer application throughout the year
- The deprivation supplement follows the child in real time if the child moves provision

Cons

- Removes some of the certainty around funding allocations
- Potential to create financial pressure through real-time updates and potential increases in deprivation

3.9 Under Model 1 and Model 2 the deprivation targets the most relatively deprived children. This ensures the supplement is being paid for those most in need. Although Model 1 provides a higher hourly rate for deprivation, Model 2 would target a higher proportion of children (approx. 36% more than Model 1).

3.10 The current and proposed rates of allocation to providers are included in Table 2.

TABLE 2 – 3 & 4 Year Old Rates to Providers

Breakdown of Rates	2021-22 £ per hour	Proposal 1 2022-23 £ per hour	Proposal 2 2022-23 £ per hour	Proposal 3 2022-23 £ per hour
Base	4.25	4.35	4.35	4.35
Deprivation – Band A	0.05	0.05		
Deprivation – Band B	0.10	0.10		
Deprivation – Band C	0.15	0.15		
Deprivation			0.30	0.21

3.11 SEN Inclusion Fund (SENIF)

There continues to be a mandatory requirement for a SEN Inclusion Fund for 3 and 4 year olds. A fund for 2 year olds was introduced in 2020-21. There is significant pressure on the fund in 2021-22 as shown in Table 3.

TABLE 3 – SEN Inclusion for 2021-22 and Proposal for 2022-23

Early Years Funding Streams	2021-22 SEN Inclusion Fund £	2021-22 Forecast Distribution to Providers £	2021-22 Forecast Deficit £	2022-23 Proposed SEN Inclusion Fund £
3 & 4 Year Olds	216,460	348,000	(131,540)	378,000
2 Year Olds	15,965	55,000	(39,035)	61,000
Total	232,425	403,000	(170,575)	439,000

- 3.12 We are proposing to increase this fund to approx. £378k for 3 and 4 year olds and approx. £61k for 2 year olds, to support the increased demand for support from providers. This is affordable through the increase in rates provided by the DfE. Work is ongoing with the Early Years working group to review the SENIF allocation and demand and ensure there is robust and clear criteria for the allocation of the funding.
- 3.13 The operational guidance has confirmed that LAs must ensure that at least 95% of the funding in relation to 3 and 4 year olds is passed through to providers in 2022-23. The proposed rates, together with the SEN Inclusion Fund means the LA will be compliant with the legislation and the retention of the funds has already been agreed at Schools Forum on 19 January 2022. Details of what this supports can be found in Schools Forum paper through the following link: [ITEM 5 - Dedicated Schools Grant DSG Funding Formula 2022-23 FINAL.pdf \(modern.gov.co.uk\)](#)

4. 2 YEAR OLD FUNDING

- 4.1 The hourly rate of funding received by the LA has increased from £5.46 in 2020-21 to £5.67 2022-23.
- 4.2 In 2021-22, the provider hourly rate is £5.30 and £0.13 per hour is retained centrally. It is proposed that the rate to providers is increased to £5.40, and £0.14 per hour be retained centrally. The amount of £0.13 per hour for central retention has already been agreed at Schools Forum as outline in paragraph 3.13.
- 4.3 In addition, as stated in paragraph 3.12 it is proposed to increase the SEN Inclusion Fund of £16k to approximately £61k due to demand on the fund. This will be funded through the remainder of the uplift in the rate from DfE.

5. EARLY YEARS PUPIL PREMIUM (EYPP) AND DISABILITY ACCESS FUND (DAF)

- 5.1 The allocation rate for EYPP has increased from £0.53 to £0.60 per hour per eligible pupil up to a maximum of 570 hours.
- 5.2 The allocation rate for DAF has increased from £615 to £800.
- 5.3 The allocation of both these funds is in line with the operation guidance, link included at paragraph 2.3.

6. CONSULTATION RESPONSE

- 6.1 Consultation took place with all Early Years Providers in Tameside between 2 February and 17 February. It was carried out via survey monkey and shared with all Early Years providers included on Tameside Directory of Providers.
- 6.2 A total of 80 responses were received out of a total of 261 providers.
- 6.3 The outcome of the consultation is as follows:
- a. Support is given for the proposals for 3 and 4 years olds. 50% (40 respondents) support the proposals, 45% (36 respondents) did not and 5% (4 respondents) did not provide a response.
 - b. Support is given for the proposals for 2 year olds. 60% (48 respondents) support the proposals, 36% (29 respondents) did not and 4% (3 respondents) did not provide a response.

- c. The preferred option for the distribution of deprivation is Option 1, to continue with the existing model. 64% (51 respondents) preferred Option 1, 19% (15 respondents) preferred Option 2, 16% (13 respondents) preferred Option 3 and 1% (1 respondent) did not provide a response.

6.4 A number of comments were received for each question asked and have been included at **Appendix B**. In relation to the proposals for the 3 and 4 year old funding and 2 year old funding, many providers raised concern that the uplift to the base rate did not cover the increased cost in national living wage and energy prices. It appears from some of the comments there may be a misunderstanding regarding the element the LA retains. For clarity, the increase in rate can be broken down as follows:

- 3 and 4 Year Olds: Of the £0.17 increase in hourly rate from DfE, its's proposed there is a £0.10 increase to the base rate, £0.06 to increase the SENIF and £0.01 into central retention. The LA do not retain £0.47 centrally. Around £0.24 is held centrally (in line with operational guidance) and the remaining £0.23 supports SENIF and Deprivation.
- 2 Year Olds: Of the £0.21 increase in hourly rate from DfE, it's proposed there is £0.10 increase to the base rate, £0.10 to increase the SENIF and £0.01 into central retention.

6.5 There were also comments raised regarding SENIF funding stating it is difficult to access and payments were not made timely. LA officers have shared proposals with the Early Years Working Group regarding an updated and clearer process around SENIF funding and further consultation will be taking place with providers imminently.

6.6 The comments received in relation to deprivation suggest providers did not have enough information on the proposed new models of funding deprivation to be able to make a move towards this. The Early Years Working Group did agree with the principle to moving towards a more targeted allocation of deprivation funding. However, the general consensus was to stay with Option 1 to continue with the existing method. Targeting this element of funding to those children most in need of it is extremely important and therefore further work will be undertaken to provide more information and clarity around proposed models.

7. SUMMARY

7.1 The hourly rate for 3 and 4 year olds will increase to £4.35, 5% will be retained centrally and there will be a budget of £378,000 for the SEN Inclusion Fund.

7.2 The hourly rate for 2 year olds will increase to £5.40, £0.14 will be retained centrally and there will be a budget of £61,000 for the SEN Inclusion Fund.

7.3 Further to consultation and the consensus of the response received, the allocation of deprivation will remain the same as 2021-22 in 2022-23. Further work will be undertaken to provide more information on moving to a targeted allocation of deprivation. This will then form part of the annual review of early years funding for 2023-24.

8. RECOMMENDATIONS

8.1 As set out at the front of the report.

Methodology for the Existing Deprivation Allocation

The band of deprivation for each provider is calculated using data for the children from the January Census. Each child's postcode has an Index of Deprivation Affecting Children (IDACI) score (government maintained data). The current process for allocating the bandings is included at **Appendix A**. The banding applies from the 1st April for the full financial year. The setting/provider receives the supplement based on the relevant banding calculated for every child they claim funding for. The banding process is updated annually based on the latest January census information

Steps for the current process for calculating deprivation banding allocations

1	Using January census data calculate the total deprivation score for each setting (using the IDACI score for each child from the government maintained data)
2	Calculate the average IDACI per setting by dividing the total deprivation score by the number of children
3	Rank the setting scores in order from the lowest deprivation scoring to the highest
4	Split the settings into equal thirds and the banding will be allocated as follows: The lowest third of deprivation scores will receive Band A The middle third of deprivation scores will receive Band B The highest third of deprivation scores will receive Band C
5	This banding is applied to the setting for each child for the financial year

APPENDIX B

Comments from: Do you agree with the proposal for 3 and 4 year-olds?	
1	More money should be passed to providers directly as the base rate to ensure a high standard of education can continue to be provided amid rising costs. The LA should not ring fence money that is not able to benefit the children directly
2	I feel not enough is passed on to the provider
3	i agree with the rise of funding for the children but think it should be more due to the rise of everything else
4	I feel the hourly rate is too low given the national average and the amount of work I do both during operational hours and in my own time to prepare, update, report etc
5	proposal is lower than what I charge
6	It's lower than what I charge.
7	The proposal is lower than the rate I charge per hour.
8	I think the payment for 3/4 year olds should be the same as the two year old payment.
9	We should be getting more of the funding allocated by the DFE
10	To enable us to provide the quality that we want to provide we should be receiving more on the hourly rate. I disagree with the retained element and the way it is spent on central services. Whilst we receive a breakdown of the spend, where has the support been during Covid. Not once have we been asked what support we need. We are continuously told we are lucky to receive support form the Local authority but where is this support?Quality training is not often nowadays.
11	One of my nurseries is mostly funded sessions and the hourly rate does not cover the cost of staffing, pension, holidays etc. The money held back is for support. We get no support so I am not sure why that is held back.
12	base rate too low
13	The local authority retain 95 % for central services and over the last two years 2 new positions have been sited not he use of the retained funding but to date no one has been appointed. The additional retained element for depravation takes the figure too low to enable sustainability. looking at the budgets for the last few years there is always a surplus in early years - why is this not distributed to providers rather than moved to to other areas.
14	The increase of 10p per hour being passed through to providers is nowhere near enough to cover the rise in costs and minimum wage.
15	Increase is not in line with inflation and has been underfunded for the last decade.
16	I prefer to keep the existing model for funding calculation.
17	Although we are happy to receive any increase in funding, I am very concerned about the amount and how the nursery will be sustainable with nlw increase and gas / electric prices with our only income now really being from the funding monies.
18	The funding allocation should stay as it is - option 1. This is better for business continuity.
19	we do not agree with any of the prices as its not enough to be able to run the nursery on.
20	Given the substantial increases on living wage from Apr22 as well as other cost increases for businesses I feel that the LA retaining 47p per hour is unacceptable. Especially as last year some of the retained monies were not spent in the ways stated on the consultation document. A rise of 10p her hour is not enough to ensure the future sustainability of providers !
21	As you will be aware the government are increasing NMW by around 6-11%. if you return over half of the new allocation for your own expenses then you are not doing what the DFE intended and you know the pressure nurseries are under to survive and offer quality. You also know that many will close if you proceed with this unfair split.

22	Increase based rate payment of £0.10 is low compared to the increases the nursery faces from April 2022.
23	The increase does not match the increase of national minimum wage rises or gas/electric rises.
24	Withholding such high proportions of our funding to cover LA costs should not be acceptable. The government have put huge pressure on the PVI sector with NMW increases, NI increases and pension contributions and many settings will close if this is agreed and passed by the LA
25	With the rate of inflation and the upcoming rises in fuel costs I think the 10p per hour increase is not in line with the increased costs of running a childcare business

Comments from: Do you agree with the proposal for 2 year-olds?	
1	Again not enough passed to the provider
2	i agree with the rise of funding for the children but think it should be more due to the rise of everything else
3	As above hourly rate too low given the amount of work involved
4	As above, this money is for the children and should be paid for their early years education
5	As above. I do not agree with 13p being retained for SEND funding. We are funding most of the SEND ourselves and when we apply for funding it is made very difficult to access and yet surplus funding is given to other areas at the end of each year.
6	The money we receive does not cover the hourly rate of staff before we even start on overheads
7	base rate too low
8	Too much is being retained . 13 p per hour for 2 year olds to put into the increased send funding which we struggle to access. Not to mention the fact we do not get paid in a timely manner.
9	The increase of 10p per hour being passed through to providers is nowhere near enough to cover the rise in costs and minimum wage.
10	Increase is not in line with inflation and with NMW and NI increases
11	We do not have 2 year provision in our setting but there is not a N/A option
12	I prefer to keep the existing model for funding calculation.
13	As above, completing calculations for our outgoings the money coming in and leaving does not add up based around the inflation.
14	The increase in money retained is huge! More should be added on to the base rate to benefit all providers
15	I am happy to agree with the proposed rate, however since the LA will be retaining 27p per hour then the SEND processes and payments need to be improved dramatically ! And again, the centrally retained monies need to be used in accordance with what is stated in the consultation document. I still don't think we have an 'Early years SEN caseworker' or an 'Early years coordinator' for Social Emotional and mental health and these were supposed to be created with last years retained monies ! This does not instil confidence that these retained funds are being spent as they should !
16	As above, it is unjust to take the monopoly on money intended for the delivery of EYE for vulnerable 2 year olds. The money is intended to improve life chances of two year olds in disadvantaged families. Not to back fill loses for the LA.
17	Increase based rate payment of £0.10 is low compared to the increases the nursery faces from April 2022.

18	The increase does not match the National minimum wage increases. The numbers always add to a deficit. The government said themselves in order for the Free child places to be sustainable they should be given a baseline of £7.50 p/h by 2021. Those results alone say it all. Staff are tired and getting higher paid jobs with less responsibility at Aldi.
19	As above - it is just not affordable. The wage bill increase alone is not going to be covered, let alone the increases in utilities and resources needed.
20	N/A for us as we are age 3 and up
21	I believe the agreed amounts at the school forum are biased to schools as there is only one EY provider on the panel meaning an unfair biased voting system. I don't agree with the amount that is being retained by the LA and feel it is too high.